

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 ACDA-07 IO-13 FAA-00

DOT-00 /104 W

-----190032 100126/13

R 181941Z FEB 77

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 6665

INFO AMEMBASSY BOGOTA

USCINCSO QUARRY HEIGHTS

USCINCLANT NORFOLK VA

C O N F I D E N T I A L SECTION 1 OF 2 CARACAS 1777

E.O. 11652: GDS

TAGS: PBOR, PFOR, PINT, ELAB, EFIN, VE

SUBJECT: THIS WEEK IN VENEZUELA

REF: CARACAS 1488

SUMMARY. THE PRESIDENT SEEKS CONSENSUS ON THE DIFERENDO
ISSUE. NEW REGULATIONS AFFECT STATUS OF FOREIGN FIRMS
OPERATING IN VENEZUELA. AD PRIMARY MANEUVERS. CTV
SUPPORTS TAX REFORM. HIGH LEVEL GOV APPOINTMENTS
ANNOUNCED. END SUMMARY.

1. THE PRESIDENT SEEKS CONSENSUS ON THE DIFERENDO.
DURING THIS WEEK, PRESIDENT PEREZ CONTINUED ACTIVELY SEEKING
SUPPORT FOR HIS EFFORTS TOWARD A SOLUTION TO THE COLOMBIAN
DIFERENDO ISSUE. FIRST, HE REITERATED THAT AN EVENTUAL
AGREEMENT WOULD INCLUDE ONLY A DEFINITION OF TERRITORIAL
WATERS AND JURISDICTION OVER THE CONTINENTAL SHELF,
THAT NO COMPLEMENTARY AGREEMENT FOR MIXED OR JOINT
ENTERPRISES IS LINKED TO IT AND THAT THERE WILL BE "NO
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MIXED ENTERPRISES." HE ADDED THAT HE DID NOT EXPECT TO
ACHIEVE UNANIMITY ON THE ISSUE, BUT RATHER THAT THE GOV
SEEKS A NATIONAL CONSENSUS TO INCLUDE POLITICAL PARTIES
AND OTHER MAJOR INSTITUTIONS. IN THIS REGARD, HE SAID
THAT THE ARMED FORCES ARE BEING KEPT INFORMED ABOUT THE
PROPOSALS. PEREZ' STATEMENTS CAUGHT COPEI SOMEWHAT OFF-
BALANCE, AND COPEI SECRETARY GENERAL PEDRO PABLO AGUILAR

HEDGED THAT PARTY'S GENERALLY EXPECTED OPPOSITION BY NOTING THAT IF THE PROPOSALS DO NOT INVOLVE CONCESSIONS OF EXPLOITATION RIGHTS, COPEI MIGHT BE ABLE TO SUPPORT THE PROPOSALS.

COMMENT: PEREZ' DIFERENDO INITIATIVE APPARENTLY INVOLVES AN ELABORATE EFFORT TO SELL TO MAJOR INSTITUTIONAL GROUPS WHAT HE AND PRESIDENT LOPEZ MICHELSON HAVE APPARENTLY AGREED TO IN PRINCIPLE. WE UNDERSTAND ANY FINAL SETTLEMENT WOULD, IN FACT, INCLUDE AN ACCORD ON HOW SUBMARINE EXPLOITATION WOULD BE UNDERTAKEN BY BOTH COUNTRIES. HOWEVER, PEREZ HAS CAREFULLY OBFUSCATED THIS POINT PUBLICLY IN ORDER TO ATTRACT DOMESTIC SUPPORT FOR THE PROPOSAL. HE HAS DELIBERATELY DENIED THE POSSIBILITY OF JOINT ENTERPRISES FOR EXPLOITATION IN THE GULF, AND IS NOW SPEAKING IN TERMS OF A NATIONAL CONSENSUS (RATHER THAN UNANIMITY) IN SUPPORT OF THE PROPOSAL. ALL OF THIS MAKES COPEI AND THE MILITARY UNEASY. COPEI IS CONCERNED BECAUSE, ON THE ONE HAND, IT DOES NOT WANT TO BE ISOLATED AS A SOLE POLITICAL PARTY HOLD-OUT ON A DEVELOPING CONSENSUS ON THIS IMPORTANT ISSUE, BUT ALSO DOES NOT WISH TO RUN THE RISK OF HANDING AD A MAJOR ACHIEVEMENT TO BE USED DURING NEXT YEAR'S PRESIDENTIAL CAMPAIGN. THE MILITARY, FOR THEIR PART, ALWAYS SENSITIVE TO ISSUES OF SOVEREIGNTY, ARE WARY OF HAVING TO JUDGE AN INITIATIVE THIS POLITICALLY DELICATE.

2. NEW REGULATIONS AFFECT STATUS OF FOREIGN FIRMS OPERATING IN VENEZUELA. A PRESIDENTIAL DECREE, PUBLISHED FEBRUARY 11, HAS SUBSTANTIALLY AFFECTED THE STATUS OF CONFIDENTIAL

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FOREIGN FIRMS OPERATING IN VENEZUELA. THE DECREE, WHICH REPLACES DECREE 62, PROVIDES FOR THE EXTENSION OF THE MAY 1, 1977 DEADLINE FOR FOREIGN FIRMS ENGAGED IN RESERVED ACTIVITIES TO TRANSFORM THEMSELVES INTO NATIONAL COMPANIES. THE CHANGES ALSO PERMIT FOREIGN FIRMS TO ENGAGE IN MARKETING ACTIVITIES UNDER CERTAIN CIRCUMSTANCES AND LIBERALIZE RESTRICTIONS ON ACTIVITIES OF FOREIGN CONSULTING AND ENGINEERING FIRMS. A SUMMARY OF THE NEW PROVISIONS WAS SUBMITTED TO THE DEPARTMENT IN CARACAS 1535.

3. AD PRIMARY MANEUVERS. THE NATIONAL POLITICAL COMMITTEE OF AD MET FEBRUARY 15 AMID CHARGES BY SUPPORTERS OF JAIME LUSINCHI THAT THERE ARE IRREGULARITIES IN THE REGISTRATION OF PARTY MEMBERS, A PROCESS DUE TO END FEBRUARY 27. THE COMMITTEE, COMPOSED OF THE MAJOR POWER-BROKERS IN THE PARTY, APPEARS ANXIOUS TO AVOID THE APPEARANCE OF A BITTER PRIMARY BATTLE FOR THE PARTY'S NOMINATION AND THUS PRODUCED A RATHER BLAND SUMMARY OF ITS MEETING. JUST BEFORE THE EVENING MEETING, THE

SUGGESTION THAT THE CANDIDATES RESIGN THEIR PARTY POSITIONS IN THE INTEREST OF AN UNBIASED ELECTION WAS FIRMLY REJECTED BY ONE OF THE ASPIRANTS, AD SECRETARY GENERAL LUIS PINERUA ORDAZ. THE TARGET OF THIS SUGGESTION WAS, OF COURSE, PINERUA RATHER THAN LUSINCHI AND IT IS BEING KEPT ALIVE BY THE SENSATIONALIST AFTERNOON DAILY EL MUNDO. AD HAS OPENED THE DOOR TO THE ENDORSEMENT OF CANDIDATES BY BUREAU LEADERS AS INDIVIDUALS WHILE NOT PERMITTING SUCH ACTION BY THE BUREAUS AS ORGANIZATIONS. CONFEDERATION OF VENEZUELAN WORKERS (CTV) PRESIDENT JOSE VARGAS WAS THE FIRST MAJOR AD FIGURE TO TAKE ADVANTAGE OF THIS RULING BY PUBLICLY DECLARING HIS SUPPORT FOR AD SECRETARY GENERAL PINERUA ORDAZ AS THE PARTY'S PRESIDENTIAL CANDIDATE. DESPITE THE PROHIBITION ON BUREAU ENDORSEMENTS, VARGAS MADE IT CLEAR THAT HE EXPECTS TO CARRY MOST OF THE LABOR MOVEMENT WITH HIM INTO THE PINERUA CAMP.
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NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06
AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02 OPIC-03
CIEP-01 LAB-04 SIL-01 OMB-01 ACDA-07 IO-13 FAA-00
DOTE-00 /104 W

-----190031 100246 /13

R 181941Z FEB 77
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 6666
INFO AMEMBASSY BOGOTA
USCINCSO QUARRY HEIGHTS
USCINCLANT NORFOLK VA

C O N F I D E N T I A L SECTION 2 OF 2 CARACAS 1777

4. CTV SUPPORTS TAX REFORM. CONFEDERATION OF VENEZUELAN WORKERS (CTV) PRESIDENT JOSE VARGAS HAS

COME OUT STRONGLY IN FAVOR OF TAX REFORM. VARGAS LAUNCHED A DIRECT ATTACK ON THE CHAMBER OF COMMERCE (FEDECAMERAS) ACCUSING THE BUSINESS GROUP'S CALL FOR FURTHER STUDY OF PRESIDENT PEREZ' TAX REFORM PROPOSAL OF BEING "NO MORE THAN A DEVICE TO PREVENT THE PASSAGE OF A LAW WHICH WILL EFFECT THEIR PRIVILEGES." VARGAS STATED THAT CERTAIN EXPENSES OF THE GOV OUGHT TO BE COVERED BY DOMESTIC TAXATION OF "THOSE WHO HAVE ACCUMULATED ENORMOUS PROFITS" WHILE OIL REVENUES OUGHT TO BE RESERVED FOR CAPITAL INVESTMENTS WHICH WILL EVENTUALLY LIBERATE THE NATION FROM ITS DEPENDENCE ON PETROLEUM. VARGAS' STATEMENT IS REMARKABLE FOR ITS HARSH ATTACK ON FEDECAMERAS, ITS PRESIDENT, AND THE PRIVILEGED CLASSES IN GENERAL. IT IS ALSO NOTEWORTHY FOR ITS STRONG COMMITMENT TO A MORE EQUITABLE DISTRIBUTION OF INCOME AND A TAX SYSTEM WHICH WOULD PLACE THE GREATEST BURDEN ON THOSE WHO HAVE BENEFITED THE MOST FROM THE ECONOMIC BOOM FED BY THE INCREASE IN PETROLEUM PRICES. THIS IS VINTAGE AD IDEOLOGY--
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STILL ENTHRONED--BUT SELDOM HEARD TODAY FROM AD POLITICIANS UNCONNECTED WITH LABOR.

5. HIGH LEVEL APPOINTMENTS ANNOUNCED. THE GOV ANNOUNCED THIS WEEK THE APPOINTMENTS OF SEVERAL HEADS OF STATE ENTERPRISES AND AUTONOMOUS INSTITUTES AND TWO AMBASSADORS. ALBERTO GUERERE, AN AD FUNCTIONARY, WAS NAMED PRESIDENT OF THE NATIONAL AGRARIAN INSTITUTE REPLACING LUIS LA CORTE, WHO WILL BECOME AMBASSADOR TO THE FAO. NELSON DOUAIHI, AN ARCHITECT WHO MOST RECENTLY WAS WITH THE FEDERAL DISTRICT GOVERNMENT, IS THE NEW PRESIDENT OF CORPOTURISMO. HUMBERTO PINERO WILL HEAD CORPORIENTE, THE DEVELOPMENT CORPORATION FOR THE STATES OF ANZOATEGUI, MONAGAS, AND SUCRE. ENRIQUE NARCISO, A CAREER TELEPHONE COMPANY EMPLOYEE, IS THE NEW PRESIDENT OF THE STATE TELEPHONE CORPORATION (CANTV). FORMER DEVELOPMENT MINISTER JOSE IGNACIO CASAL WAS NAMED A DIRECTOR OF THE GUAYANA DEVELOPMENT CORPORATION (CVG). AD DEPUTY JUAN MANUEL SUCRE TRIAS, FINANCE COMMITTEE CHAIRMAN IN THE CHAMBER OF DEPUTIES, HAS BEEN APPOINTED AMBASSADOR TO GREAT BRITAIN. EXCEPT FOR THE AMBASSADORIAL APPOINTMENTS, AND THAT OF GUERERE, MOST OF THE APPOINTEES APPEAR TO BE ADMINISTRATORS INSTEAD OF POLITICIANS.

6. OTHER REPORTING THIS WEEK INCLUDED CABLES ON FOREIGN CRITICISM OF SOMOZA (CARACAS 1728 AND 1591), VENEZUELAN AIR FORCE REQUEST FOR AIRLIFT ASSISTANCE (CARACAS 1614), COUNTRY FINANCED SERVICES (CARACAS 1565), ILO (CARACAS 1514), UN SPECIAL SESSION ON DISARMAMENT (CARACAS 1507), CARLO BORDONI EXTRADITION CASE (CARACAS 1505), JET FUEL

QUESTIONS (CARACAS 1573), REFUSAL OF CHARTER PERMIT
(CARACAS 1574 AND 1536), EXIM FINANCING FOR PURCHASE
OF U.S. FISHING VESSELS (CARACAS 1556), CCP SUBMISSIONS
(CARACAS 1580, 1581, 1582), VIASA PURCHASE OF WIDE
BODY AIRCRAFT (CARACAS 1652), CERP-1976 (CARACAS 1667),
DARTMOUTH COLLEGE INVITATION TO PRESIDENT PEREZ
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(CARACAS 1675), UNEMPLOYMENT FIGURES RELEASED AND VENEZUELAN
COMMITTEE CALLS FOR INDEPENDENCE OF PUERTO RICO (BOTH SEPTELS).
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Message Attributes

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SAS ID: 3284948
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Status: NATIVE
Subject: THIS WEEK IN VENEZUELA
TAGS: PBOR, PFOR, PINT, ELAB, EFIN, VE
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Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/bea77cc4-c288-dd11-92da-001cc4696bcc
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